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Municipal trading

Westminster

1905

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Municipal Trading.

SPEECHES

DELIVERED BY

LORD AVEBURY, P.C., D.C.L.,
HON. CHARLES N. LAWRENCE,
SIR ALEXANDER HENDERSON, BART., M.P.,
SIR CHARLES RIVERS-WILSON, G.C.M.G., C.B.,
MR. B. L. COHEN, M.P.,
MR. FRANCIS W. BUXTON, J.P.,
MR. A. A. CAMPBELL-SWINTON, M.INST.C.E., and
MR. DOUGLAS OWEN,

AT THE

ANNUAL MEETING

OF THE

INDUSTRIAL FREEDOM LEAGUE,

30th JUNE, 1905.

THE INDUSTRIAL FREEDOM LEAGUE,
~~53, Parliament Street,~~ Westminster, S.W.

1905.

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THE

INDUSTRIAL FREEDOM LEAGUE.

AN ASSOCIATION TO FREE PRIVATE ENTERPRISE FROM UNDUE INTERFERENCE AND FROM RATE-AIDED COMPETITION.

53, PARLIAMENT STREET, WESTMINSTER, S.W.

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MUNICIPAL TRADING.

INDUSTRIAL FREEDOM LEAGUE.

ANNUAL MEETING,

Westminster Palace Hotel, London, S.W,

Friday, 30th June, 1905.

The President:

The Rt. Hon. Lord AVEBURY, in the Chair.

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INTENTIONAL SECOND EXPOSURE

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ADDRESS
OF
THE PRESIDENT.

LORD AVEBURY.

The portentous and rapidly growing increase both of Municipal and National Expenditure has roused the anxiety of all thoughtful citizens.

In studying the question of Municipal Expenditure, we must consider: first, the increase of expenditure; secondly, that of rates; thirdly, of debt, and, fourthly, what remedy can be applied.

LOCAL INDEBTEDNESS.

If, says Sir Robert Giffen, late Statistical Secretary of the Board of Trade, we make "the starting point that of the period dealt with in Lord Goschen's Local Taxation Report, which referred mainly to the year 1868, when there was probably little change from the years immediately preceding, what we find is that in the 'sixties,' according to this Report, the local expenditure of the United Kingdom was about £36,000,000; but, in 1901-2, the latest year included in the Statistical Abstract, this sum had grown to the vast total of £144,000,000, four times the expenditure of forty years ago, and a sum quite equal to that of Imperial finance itself, whereas forty years ago the local expenditure was only about half the Imperial."

Perhaps it may be said that the sixties are rather too far to go back. Let us then take the year 1891-2, that is

ten years ago. At that time the amount was £76,000,000; in the last complete year it was £144,000,000, so that in ten years it had risen no less than £68,000,000!

"What necessity is there," Sir Robert Giffen asks, "either in increase of population or any other factor for these gigantic outlays?"

No doubt in these years the population and rateable value have increased, but, as the Industrial Freedom League has pointed out, the average rate per head of population has risen in England and Wales, in the last twenty-two years, 62 per cent., the average debt per head has risen 95 per cent., and the average rate per £ of valuation 61 per cent. Moreover, if the assessment is increased, we are not only paying a higher rate, but on a higher assessment; so that the actual sum a man has to pay is raised doubly. Nor is this all.

THE TAXATION OF INDUSTRIES.

Lord Stalbridge, the Chairman of the London and North Western Railway Company, called attention, in his last annual speech to the shareholders, to the fact that the increase in rates and taxes paid by the railway companies of the United Kingdom, not including Income Tax or Government duty, was as follows:—

The local rates and taxes paid in 1891 were £2,246,000, and in 1903 were £4,493,000, representing an increase of £2,247,000, or 100 per cent. Thus, in the course of twelve years the sum total has doubled, and is advancing at the rate of a quarter of a million each year, and yet the railway companies have absolutely no control over the expenditure to which they contribute so largely.

In 1898 the rates and taxes paid by the Gas Light and Coke Company were £220,000, and worked out at 2·51d. per

1,000 feet of gas; in 1903 they had risen to £289,000, and worked out at 3·29d. per 1,000 feet of gas. And yet the Gas Light and Coke Company have absolutely no voice in the expenditure of the rates to which they contribute so largely. These increases, of course, *pro tanto* diminish the amount available for dividend, so that we are hit three times, first by the increase of assessment, secondly by the increase of the rates, and thirdly by the reduced dividends received from investments.

These figures are very grave, but they are not all. Though we are paying so much, we are not paying our way. The local authorities are running head over heels into debt.

OUTSTANDING LOANS.

The outstanding loans of local authorities in England and Wales have risen in ten years by no less than £155,000,000, and amounted in 1903 to over £370,000,000, while those of the United Kingdom in 1902 were £412,000,000.

The Chancellor of the Exchequer, in his Budget speech last year, thought it necessary to call attention to the rapid increase of Municipal debts. He pointed out that in the three years ending March 31st, 1902, the local authorities of the United Kingdom borrowed over £103,000,000.

MUNICIPAL TRADING PROFITS.

But then we are told that a great part of the debt has been incurred for remunerative purposes, and this is, no doubt, true in some cases. The accounts are, however, very difficult to follow. Let me give a case. The London County Council purchased a site in London Fields, Hackney, for re-housing about 486 persons who would be displaced by the Mare Street improvement. The value of the land was £1,250; but the Housing Committee said they could not afford to pay anything

for it, and the Improvements Committee recommended the Council to fix the value of the land for re-housing purposes at *nil*.

Now, though I say I do not impute any intention to deceive—indeed, I am satisfied there was none—still, it is obvious that when accounts are thus dealt with it is difficult to draw conclusions from them.

In expressing doubt whether the profit which municipalities claim to have made has any real existence, I do not for a moment suggest that there is any intentional inaccuracy in the accounts. There is, however, a general impression among experts that the accounts are misleading. In the first place, it is believed that a considerable amount of clerical and accountancy work, and some of the rent of the head office applicable to the various undertakings, is, in many cases, charged to the general municipal account. This work corresponds to what, in a company, is paid for the secretary, solicitors and accountants, and a portion of the rent, and it is obvious that a proper allowance must be made for these items before the real profit is arrived at. In the second place, the amount allowed for depreciation seems much too small.

INADEQUATE DEPRECIATION.

Mr. Schooling, in the "Windsor Magazine" for January, gave the amounts set aside for depreciation per £100 of capital, as follows:—Waterworks, 11½d.; gasworks, 8d.; electricity, 3s. 2⅔d.; tramways, 10s. 4d. He states in regard to the 1,029 reproductive undertakings given in Sir Henry Fowler's second "Return of Reproductive Undertakings": "I suggest that, looking at the nature of the undertakings and at the fact that by far the largest amounts of capital are invested in undertakings that involve great wear and tear to machinery, a yearly allowance of 5 per cent. on the capital

invested would be a most moderate allowance. Upon this basis I proceed to rectify the nominal profit and loss account as follows :—

Capital invested	£121,170,000
5 per cent. on this for yearly depreciation is	6,058,500
Yearly allowance for depreciation by Corporation is	193,274
Extra for depreciation which should be set aside yearly is	5,865,226
Deduct net profit stated by Corporation which now vanishes	378,281
Making the net loss yearly upon the 1,029 "reproductive undertakings"	£5,486,945

I do not pretend to be an authority as to what percentage ought to be written off for depreciation, but, even if the figure suggested by Mr. Schooling is perhaps too high, that actually taken certainly seems too low, and the difference would convert the small nominal profit into a substantial loss.

L.C.C. TRAMWAYS.

The London Tramways have always seemed to me to constitute an admirable object-lesson. It will be remembered that the Courts attributed to the Acts of Parliament, under which the Tramways were constructed, a meaning which had never been foreseen, and the unfortunate shareholders found that they did not really possess the rights on the belief in which their money had been invested. Under these circumstances the London County Council became possessed of the property for a sum far below its real value.

After considerable discussion the Tramways north of the river were leased to a company, while the Council determined itself to work those of the south. The capital value was approximately the same—£850,000 on the north, £896,000 on the south—but the mileage on the north was about 18 miles greater.

The London County Council having thus secured a most valuable property far below its real value, it would, of course, have been difficult not to make a profit. It has amounted to £293,000, but, as Sir Melvill Beachcroft has pointed out, over £200,000 has been received from the northern system under the lease, while the southern system, worked by the Council, has only given £80,000, and last year the profit claimed on the southern system was only £7,054 on a capital of £2,400,000. It seems clear that if the London County Council had leased the southern system instead of working it themselves, there would have been an advantage of over £120,000 to the London ratepayers!

Moreover, the Council has now resolved upon the electrification of the northern system at a cost of over £5,000,000, and on the construction of certain lines in south London at a cost of £400,000 upon which an annual deficiency of £13,000 is estimated. The latter proposal has stirred Mr. A. M. Torrance, a former Progressive Chairman of the Council, to denounce their action as that of a "Rake's progress." The financial position of the Council was, he stated, appalling, and he doubted if it was fairly understood by members of the Council themselves. Although he urged the postponement of the scheme, and the Finance Committee implored the Council to stay its hand until the works to which it was committed were completed and were producing revenue, the scheme was sanctioned by a large majority. Whether the vast sum to be spent on the northern system will involve a loss to the ratepayers, the Finance Committee are not quite clear. But at all events they urge that, in view of the expenditure, the Council's borrowings during the next few years should be prevented from becoming unduly large. If the County Council had not prevented private enterprise

from undertaking the operation of tramways, but had granted facilities under stringent regulations as to the proper conduct of the service, the ratepayers would have profited by the arrangement without being involved in any risk, and the load of debt now incurred would not have stood in the way of other improvements.

Of course, I do not doubt that in some cases profits have been made. When a municipality has had a monopoly, and has been able to charge what it likes, it is easy, of course, to show a profit on paper.

I may give, for instance, the following illustration :—Mr. Robert Donald has pointed out that Manchester reduced its rates in 1900-1901 by 7d. in the £ through municipal trading. This is the way it was done. The Corporation wanted a subsidy of £50,000 in relief of rates from the gas undertaking, and, as there was no surplus, the price of gas was raised 3d. per 1,000 feet in order to yield it. This is quoted as a profit.

MUNICIPAL MONOPOLIES.

I do not, however, object to municipal expenditure in these directions merely because the Corporations will inevitably lose money. There are other and even graver reasons.

In my first presidential address two years ago I urged that, "Monopolies are bad ; but especially Government and municipal monopolies, because they are the most difficult to control or abolish."

The attempts of Corporations to secure themselves in their monopolies have received a further illustration this Session. The North Eastern Railway Company sought powers to run motor omnibuses, and the Corporation of Newcastle offered a strong opposition to the proposal on behalf of the municipalities owning tramways. The Committee of the House of Commons granted the powers under certain restrictions, but the opposition sought to prevent the company from

picking up passengers *en route* and thereby becoming competitors for traffic which the Corporation desire to monopolise. The question came up on report, when it was frankly admitted by the supporters of the municipalities that they objected to the company being given powers to establish services in urban districts where they would enter into competition with municipal tramways. Mr. Bonar Law, the Parliamentary Secretary of the Board of Trade, in opposing the restrictive amendment, said that "the municipal drum had been beaten again as in the case of the Newcastle running powers. It was a question to what extent municipal authorities, because they were engaged in a particular kind of trade, should be allowed a monopoly which would not be given to anybody else engaged in the same trade." He concluded by stating that "It was beginning to be a question whether the House should direct the municipalities or whether the municipalities should control the House." When the vote was taken the proposal to impose further restrictions was defeated by 127 votes to 110.

Railway Companies carry on their undertakings under stringent statutory regulations in regard to the safety of the public and of their employees, and as to the charges they may make. They have expended vast sums of money in laying out their systems and in acquiring land for their lines and stations. It is true that they originally had a monopoly, though that argument can hardly be sustained now, owing to competing lines, and tramways which not only carry passengers but goods as well. The municipal tramways, on the other hand, have been constructed without any payment for the roads along which they run ; they have even been carried outside the district of the authority which operates them. They have become serious competitors with the railway companies, but yet they ask for protection which no one for a moment would contend should be granted to private enterprise.

HOUSING OF THE WORKING CLASSES.

In many cases the policy of local authorities tends to defeat the very object they have in view. Take, for instance, the housing of the working classes—an object we all have at heart.

When the London County Council proposed to erect dwellings for the working classes, I wrote to the great companies which had housed thousands of the working classes, and asked them what would be the effect upon their operations. They said that they should erect no more dwellings if the County Council were going to do so; they should stop. My belief is that if the London County Council and the Borough Councils had not put up any buildings at all, there would be at the present moment just as many, or even more, workmen's dwellings than is actually the case. On the other hand, if what has been done by the London County Council and the Borough Councils is right, it is a mere tinkering with a vast subject.

Lord Rosebery recently went to Shoreditch to open some workmen's dwellings, erected by the Borough Council, and made, as he always does on such occasions, a charming and interesting speech. He complimented the Borough Council, but his speech, if carefully read, was a crushing indictment of their policy. "You have," Lord Rosebery said, "accommodated 300 families, dispossessing perhaps many more than that." The actual number of persons, it appears, who were displaced was 533, and those who were provided for was 472. This seems a curious way of "housing the poor"; dishousing would seem a more appropriate expression. It is evident that the more poor are "housed under this system, the more would be houseless. But did the 472 who were housed belong to the same class as those who were displaced? Not at all. Lord Rosebery went

on to say, "You build admirable buildings, but the inhabitants of those new dwellings are not the people you dispossessed. . . These buildings are so superior that in some cases they are occupied by a class for whom they were not intended." That was to say, under this curious plan of housing the poor, they turned out 533 poor people and housed 472 people, many of whom were richer and better off. That, again, can hardly be called "housing" the poor. But Lord Rosebery went on to say that "there would have been in those buildings none at all of the class for whom they were intended, if the Borough Council had not exercised a wise discrimination in refusing tenants who offered much more than the rents which you are prepared to accept." That is to say, the Borough Council has spent thousands of pounds of the ratepayers' money in building houses, and then has exercised a wise discrimination in letting them below their value. Surely such a system offers a wide vista of jobbery and corruption.

London has a population of nearly 5,000,000, of whom a large proportion are very poor, and to house a few thousands of them is really nothing. If it is to be done, it should be done thoroughly, and it is easy to see what a gigantic sum would be required to carry out such a policy. That policy, moreover, ought not to masquerade under a false name. It would be less tempting if it were called what it is—a policy, not to house, but to dishouse the poor. Perhaps, then, it would not be quite so attractive. The facts, at least, I think, show that the subject requires very careful consideration, and that with the best intentions the Councils and municipalities may defeat the very object they have in view.

MUNICIPAL EMPLOYEES.

Again, the time which ought to be devoted to the real business of municipalities will be frittered away on trading

and manufacturing details. Very difficult labour questions will also be raised. Town Councillors will have to regulate the wages of their electors. Just think of the tendency to set the wages against the votes! Our municipal governors will be placed in a difficult, if not an impossible, position.

In Manchester there are over 17,000 persons in the employment of the Corporation. In Plymouth the municipal employees are equal to five per cent. of the voters. In Australia the *Melbourne Argus* tells us that "the State servants already constitute almost a clear majority of the names on the electors' rolls."

The report of the eleventh annual Conference of the Municipal Employees Association, held last month, contained the following statement: "Mr. Keir Hardie said that as a Socialist he was naturally strongly in favour of organisation among municipal employees, and was pleased to see the marvellous progress this Association had made. In going through some Parliamentary papers the other day he came across one which fairly astounded him, for from it he learned that in this country there were over 2,000,000 municipal employees. As the total of wage-earners numbered 14,000,000, this was very interesting. He had also found that in 1903 when there was a reduction in wages all round, the wages of municipal employees had alone increased—he might say, had doubled."*

This statement seems very suggestive. The enormous influence which municipal employees can and do exert at local elections for purely personal objects is not a matter which the community can afford to regard with equanimity. The Municipal Employees' Association offers as an inducement to municipal servants to join it, the "wonderful influence at municipal elections," which they would be able to exercise.

* *Lloyd's Newspaper*, May 28th, 1905.

INDIVIDUALISM *v.* COLLECTIVISM.

The official reports appear to indicate that already the interference of municipalities is exercising a serious and sinister effect on individual enterprise to which the prosperity of our commerce and manufactures are due.

Lord Rothschild, in a speech delivered in Caxton Hall, Westminster, on the 3rd February, 1904, said, "The large expenditure of the London County Council and other kindred institutions is met by the rates, and the rates are levied on the value of houses and of factories, and I ask those who preach up the credit of the London County Council and talk of the rateable value of London and of other large centres of industry, where will that rateable value be when you have destroyed individualism, when you have destroyed private enterprise, and everything is carried on by the State, or, I should say, by the London County Council?"

In support of Lord Rothschild's argument I might point to the fact, that while the Indian Government by their short-sighted policy have entirely stopped railway enterprise in India, English capital is being poured into Argentina for the construction of railways in that country.

SUMMARY OF OBJECTIONS TO MUNICIPAL TRADING.

The objections felt to this new departure are not founded in any way on mistrust of, or opposition to, municipal institutions. We fully recognise how admirably the members of municipal bodies have fulfilled the arduous and important duties which are entrusted to them, and the wish that they should have time fully to think out the various problems which come before them is one of the strong reasons which induce us to regret the course they have adopted. While, however, admitting to the full the abilities of those who

belong to our municipal bodies, it does not necessarily follow that they have the special knowledge which is required to conduct manufacturing and business undertakings to a successful issue.

I am pleased to say that we have recently enlisted a new and most important recruit. Speaking on the Agricultural Rates Bill, Mr. J. Williams Benn, M.P., said, "They ought not to vote for the continuance of this Bill without some more definite assurance from the Government as to their intention of dealing with the whole question. The position of the London ratepayers had become critical. The increasing rates of London were driving away industries by the dozen. For the borough of Devonport, which he represented, he could quote figures which, on the smaller scale, were equally striking."

I submit then that: Firstly, the legitimate functions and duties of our municipalities are already enough, if not, indeed, more than enough, to tax all their energies, and fill up all their time.

Secondly, it will involve an immense increase in municipal debt.

Thirdly, it will involve municipalities in labour disputes.

Fourthly, as there will not be the same stimulus to economy and attention, there will be a great probability, not to say certainty, that one of two things will happen: either there will be a loss, or the service will cost more.

Fifthly, it will be a serious check to progress and discovery.

REMEDIES PROPOSED.

And now I come to the remedies. In the first place, I would mention the axiom which, when I was young, was regarded as a self-evident proposition that taxation and representation should go together, that those who pay the rates should regulate the expenditure. At present we have

so arranged matters that many thousands have votes who pay no rates, and that those who pay most rates have no votes. The *Evening News* recently stated that in 1901 out of 703,000 assessments in London, no fewer than 309,500 were in respect of houses and tenements where the tenants did not pay rates. A rough estimate shewed that nearly one-half of the municipal electorate were not direct ratepayers. The London Chamber of Commerce has over and over again suggested that companies should be permitted to vote, and the Associated Chambers of Commerce have endorsed the proposal. This is well as far as it goes, but take such an undertaking as the Gas Light and Coke Company, it is surely a farce only to give them one vote. Yet even this small modicum of justice, though proposed by Sir Albert Rollit, M.P., was vehemently opposed by the Socialists in the House of Commons.

Sir Robert Giffen concludes the article, to which I have already referred by expressing his conviction that in local "expenditure we have to do with a real disease of local government; with an expenditure that is partly extravagant and unnecessary, because local authorities are frequently bad managers, even where they are not corrupt. They spend money on what is not really wanted; they spend more than they ought on what happens to be necessary; they incur liabilities and burden the future with a light heart. Expenditure is pleasant to those who have a little brief authority, and the increase of the number of urban authorities increases the number of those who may enjoy the pleasure. . . . The growth of expenditure in certain directions is disquieting in no small degree, and adds to the natural anxiety which must be felt at any encroachment that has occurred or is threatened upon the common fund of taxable resources on which both imperial and local expenditure must fall."

Sir R. Giffen suggests, and many will agree with him, "the infusion into our present system of having the local bodies elected by the ratepayers, each person being counted as equal, a system of representation according to interest, the chief landlords of each district or town having a special representation. The suggested remedy is much against ruling prejudices, but, perhaps, the urgency of the evil may compel the consideration of drastic but effectual remedies, which are really in no way inconsistent with democratic ideas or ideals."

Mr. Roland Phillips, in his article in "Local Government and Taxation in the United Kingdom," published by the Cobden Club, expresses the opinion that Parliament has not exercised sufficient care in passing private Acts. "In fact," he says, "Parliament has shown very great readiness to confer most extensive powers to localities when promoting Bills for purposes of this kind."

COMPOUNDING FOR RATES.

Not only is a reform of the Municipal Franchise necessary in order that Joint Stock Companies and other bodies should have some voice in the spending of the rates which they are called upon to contribute, but an amendment of the system of compounding for rates is desirable so that every tenant shall be made aware of the amount which he has to pay. The apathy which exists in the metropolis in regard to municipal affairs is a matter of notoriety, and the great increase of flats and of artisans' dwellings only tends to accentuate the evil. In Holborn, 56 per cent. of the persons on the register do not themselves pay rates. The Town Clerk of Birmingham, Mr. Edward Orford Smith, in his evidence before the Municipal Trading Committee in 1900, said "that from 70 to 75 per cent. of the people of Birmingham were compound householders." Some of the

artisans' dwellings companies have, I believe, made their tenants responsible for the rates of the tenements which they occupy. Much, however, might be done by individual owners to bring home to their tenants their responsibility. Mr. Albert Pell, for many years one of the Members for Leicestershire, who is a London property owner, some time ago publicly stated that he sent to his tenants a rent-collector's warning that the rent had been increased by the sum of the increase in the rates. He said that no rate collector called upon the tenants to remind them of what was going on, and they became utterly careless. The experience of Miss Octavia Hill is of the same character, and she considers that the most merciful, as well as the most just course would be to abolish the compound householder, and let those who paid the rates realise that they paid them. At present they do not understand how great a proportion of their rent is rate. If this were shown clearly to the tenants they would be able to see what was the result of giving their sanction to expenditure which involved an increase in the rates. It would also, it is to be hoped, increase their sense of citizenship and induce them to take greater interest in the affairs of their municipality.

AUDIT OF ACCOUNTS.

The suggestions made by the Joint Committee in regard to the audit of the accounts of local authorities should, as the London Chamber of Commerce proposed, and as the Association of Chambers of Commerce unanimously agreed, be put into force.

It will be remembered that the Joint Select Committee issued its Report at the end of the Session of 1903, and that the important recommendations which it made were in favour of the abolition of the existing system of audit applicable to Corporations, County Councils and Urban District Councils,

and of the appointment of independent professional auditors subject to the approval of the Local Government Board. The Committee also expressed itself in favour of a standard form of accounts being, if possible, prescribed for the use of local authorities, and I am sorry to say that, so far, it is only in this direction that any progress has been made. Mr. Long, before he left the Local Government Board, promised, in reply to several questions which were put to him in the House of Commons, to appoint a Departmental Committee to consider the question. The Committee, however, was not appointed, and on the 31st May, Mr. Gerald Balfour informed Mr. B. L. Cohen, in reply to a question put to him, that the matter was receiving his attention, and that the appointment of the Departmental Committee would be made as early as practicable. When pressed by Mr. Cohen for a more definite statement, he said that he certainly intended that the appointment should be made and that the Committee should get to work at once. I do not think I need dilate upon the great importance of a uniform system of accounts for local authorities in view, to quote the words of the Report, "of the ever-increasing number and magnitude of municipal undertakings." It is only by this means that a proper comparison can be made and accurate results be ascertained of the trading departments of local authorities.

Lastly, I must express my great regret that the Government have not adopted the unanimous recommendation of the Joint Committee of both Houses of Parliament, which they themselves appointed to consider the question.

But what is most important also is that electors should return candidates pledged to economy; in fact, the choice should be as carefully made as in the case of members of Parliament. Unless we realise the real and serious danger we are running, no changes in law will effect much difference.

This Society has done what it could, and, I believe, has done much to support and assist the private enterprise to which the prosperity of the country has been so greatly due.

In resigning the Chair, I desire to thank the Council for their loyal support, and Mr. Bridgeford for his valuable assistance. I am glad to think that the Society will have so distinguished a President as my old friend, Lord Brassey.

The Hon. CHARLES N. LAWRENCE.

The Honourable CHARLES N. LAWRENCE said: I am sure you will agree with me that the thanks of all serious-minded members of the community and patriotic citizens are due to Lord Avebury for the great interest which he has taken in this very important subject, and upon which he speaks with an authority which no man can dispute. Lord Avebury has entered so fully into the questions which we are here to discuss that I do not propose to occupy your attention for more than a few moments, and then only with the view of bringing out certain facts in regard to National as well as Municipal Expenditure, because, in my judgment, the one is so closely connected with the other.

NATIONAL AND MUNICIPAL EXPENDITURE.

Turning for a moment to the question of National Expenditure, we find that this has increased by £580,000,000 in the last ten years, which includes a sum of £45,000,000 which has been spent on unproductive work. Simultaneously, and for the same period, the Municipal Expenditure has increased by £500,000,000 *in capital and income combined*. The National and Municipal Expenditure for the last ten years has, therefore, shown a total increase of £1,100,000,000, whilst the increase in population has only been about 1 per cent. per annum during the same period.

The effect on the trade and prosperity of the country must be obvious to any man. You cannot take this huge sum of money out of the pockets of private citizens without seriously affecting the private commerce of the country, and you must remember that there is now no monopoly of trade in any quarter of the world. We are met with a most severe competition by other countries, and notably from Germany and the United States, so that it is essential to our prosperity as a nation that no possible impediment should be placed upon the ordinary commerce of the country.

Our national expenditure is now larger than that of any other country, and amounts roughly to £357 per head of the population against £294 ten years ago. I mention these facts, not because I wish to argue whether this huge national expenditure is necessary or not, or whether we get the best return for the money under the circumstances, because that is not in the province of to-day's meeting; but I say unhesitatingly, that you cannot take this large sum of £140,000,000 in Imperial expenditure from the pockets of the community, and at the same time expect them to bear a local and municipal taxation amounting to £160,000,000 per annum in addition. Turning now to the question of local debt and expenditure it may interest you to know that the increase of rates per hundred of the population has risen from £97 in 1890 to £127 in 1900, whilst the local debt has risen from 29 per cent. of the national debt in the year 1890, to 47 per cent. of the national debt in the year, 1902; and the cost of poor relief for the same period has risen from £11 per pauper to £16 per pauper in 1902.

RAILWAY COMPANIES' RATES AND TAXES.

The debt incurred by municipal authorities for what are termed reproductive works amounted to over £121,000,000

in the year 1902, and it has been stated by high authorities that the average net return upon this outlay does not exceed 6s. 3d. per £100. Turning for one moment to the manner in which this affects the railway companies of the United Kingdom, I find that in the year 1890, 2.81 per cent. of the gross receipts were absorbed in rates and taxes, whereas in the year 1904, rates and taxes had risen to 4.25 per cent. of the gross receipts; whilst as regards net receipts for the same period, in 1890, 5.77 per cent. were absorbed by rates and taxes, whereas in 1904, 10 per cent. was similarly absorbed, and this, of course, without the usual deductions for income tax. The railway companies have had absolutely no voice in the expenditure of this money and they have had no representation. This money has been taken entirely out of the pockets of the unfortunate ordinary shareholders, who have to bear the entire burden, and is it reasonable to expect that the cost of transportation by railway companies can possibly be reduced whilst this state of affairs is allowed to continue.

This lavish expenditure by municipalities has lowered the borrowing power of the nation, and, as I have already pointed out, seriously restricted the money available for trade, and the natural result has been a want of employment amongst the working classes owing to the scarcity of money for private enterprise. The majority of the people who impose the rates do not contribute to the same to any extent, and have, unfortunately, little or no experience in the management of large commercial undertakings, which, in the case of railway companies, have to be conducted on the very smallest margin of profit. In my judgment, individual enterprise and the stimulus of individual interests will always enable private enterprise to work with greater economy than any Government or Municipality, whilst the interference of the latter almost always tends to check the progress of discovery and invention.

REMEDIAL MEASURES.

The creation of a huge bureaucracy *whose object is to control Governments* is highly detrimental to the interests of the community, and entirely in favour of highly paid and inefficient labour, and anyone who doubts this, has only to read for himself the reports which emanate from our Australian colonies. Questions of this character are so pertinent to the interest of the country, irrespective of party, that one can only hope that sooner or later they will be treated irrespective of political partisanship, and I do not think that we are asking anything that is at all unfair when we demand that Parliament should, without further hesitation, deal with these serious and growing evils, and in a business-like and thorough manner. In my judgment the proper way of dealing with these undoubted evils, is in the first place for Parliament to restrict the borrowing powers of the Municipalities under the aegis of the Trustees Act, and secondly to insist that the accounts of the various municipalities shall in future be audited by independent accountants, and subject to the local Government Board, and further that there should be a general disfranchisement of municipal employees who, as Lord Avebury has pointed out, already comprise one-seventh of the wage-earning section of the population.

Mr. FRANCIS W. BUXTON.

Mr. FRANCIS W. BUXTON, J.P., said: I have been invited to attend here to-day, to take some part in the proceedings, though I am a very young member of the Association. As a Liberal and Free-Trader, I am very glad to support the Industrial Freedom League, whose object I see is "to free private enterprise from undue interference." I think that this Association may not only look upon itself as embarking upon a very sound scheme of freeing the municipalities from too much

enterprise, but may also look upon itself to some extent as a free trade Association. For I am quite certain that if we started that protective system which is urged upon us by some, there would be a very severe interference with private enterprise and that the country would seriously suffer. That, however, is only incidental. We have come to-day to discuss the question of municipal expenditure and municipal extravagance. Lord Lansdowne, speaking in the House of Lords with all the responsibility of his position upon him, said that while the National Expenditure has doubled in the last ten or fifteen years our municipal expenditure had quadrupled in that time. That, I think, is enough for us.

The question is, how far our municipal authorities should be allowed to embark in undertakings, which, I believe, might be much better left to private enterprise. How far is it wise that they should so embark, and how can we check it? In the first place, I think there is no doubt, and we may take it as a fact from the speeches which have gone before, that the extravagant expenditure of municipalities has largely increased, and, I think, we may take it that our rates have increased almost equally largely. We are told that these same enterprises are reproductive. That may have been the case with some, but I only look at the broad results, and I am quite certain that the English people will look at the broad results, and there will be no question that they will join with us in thinking that something should be done to check this too great enterprise and expenditure.

THE RESULTS OF HIGH RATES.

It has been said that the increase of rates in London is driving business away from London. I believe there is no doubt of that, but I do not think that is all. I think the increase of rates is seriously affecting the value of house property in London. Do we find all houses occupied in

the streets in London? I think that in every street you will find there are houses to be let or sold, which cannot find people to take them. I believe that, rather than risk an unknown quantity which they will have to pay in rates, they will go and live in flats or hotels, where, at least, they are charged some definite amount. I think it is a most serious thing, this fact that Londoners, and not only Londoners, but people who reside in other places, should be so affected by the rates. This high increase in the rates is having, at any rate, this effect on the population. The number of those who pay the rates—as Lord Avebury pointed out—and those who are represented, are a very small number, and it is a very different class of people who use the benefits which are provided for them. That, I think, is a point which we must remember in this discussion that the ratepayers are easily got at; they are charged high rates, but the people who enjoy the benefits which they provide are very often those who do not subscribe at all. I think that if we continue in this way we shall find ourselves on an inclined plane of expenditure, where it will be impossible to pull up. I am very glad that the Industrial Freedom League has been started and is doing something to rouse public opinion.

MUNICIPAL BANKING.

With regard to this question, there is one point in the dealings of municipalities that I should like to refer to, and that is the question of municipal banking and municipal borrowing. This has come up very much lately in various quarters, and, I think, that at the end of this year there were a very large number of municipalities throughout the country which received money on deposit. I think there were fifty municipalities in all, amongst others, Edinburgh, Stoke-on-Trent, Southampton, Glasgow, &c. Glasgow has already borrowed, I think, nearly £3,000,000 in temporary loans,

and it was said by Mr. Murray, the sub-chairman of the Finance Committee of the Glasgow Corporation, when he was being examined before the Select Committee on Municipal Trading in 1903, "I believe we have £2,000,000 at a month's notice, and we may be called upon to repay that amount at a month's notice." Well, now, I am a banker, and I am also a member of the Public Works Loan Commission. In both those capacities I know that bankers and the Public Works Loan Commission are much more chary than they were only a year or two ago in lending money to municipalities, and I have much doubt whether Glasgow, if they came suddenly to either of us and had to raise a million to pay off their depositors supposing there was a rush for money, would find it at all easy to raise that money. What is the security the depositors usually get? They get a deposit note which is not charged against the rates, which is simply granted on the good faith and the goodwill of the municipalities. I think, that this is unsafe for the depositors; I think that this is equally unsafe for the municipalities, and I see on every hand that this system is growing. Only a short time ago the Borough of Islington attempted to raise £40,000 on short mortgages. They could only get £7,000, of which £5,000 was from one individual, and, therefore, I am glad to see that people are getting a little afraid of what security they would receive if they deposit their money with municipalities. The Corporation of Edinburgh has advertised only this last month "Temporary loans are taken by the Corporation repayable on one month's notice, interest one-half per cent. above the deposit rate of the Scotch banks, fluctuating therewith."

It is not only the poor security which I believe the depositors will have, and the unsound finance of the municipalities which I dread, but I think that if this scheme were to

spread very much, the banks themselves would be seriously curtailed in the money that they have to lend, and that freedom of enterprise would be very much curtailed in consequence. There is no doubt that all these things want most careful watching, and I am very glad to be able to raise my voice of warning to Londoners generally.

A VISIONARY AND ABSURD SCHEME.

I see that quite recently a scheme was suggested by a certain co-operative society in London that the London County Council, in order to build new offices at the cost of a million, should issue notes for the cost of their building as it progressed. There would then be notes out to the extent of £1,000,000, and a building worth £1,000,000 to stand against them. I may say that no interest is to be paid on these notes, and "as money at compound interest doubles its capital value in thirty-three years," these notes which must pass from hand to hand, and be accepted by the London County Council in payment of rates, will ultimately come back to the various municipalities and be cancelled. Who is expected to take such notes does not appear, and the whole scheme is visionary and absurd. But that such a scheme should be talked about by a certain co-operative society seems to me a very great sign of the times, and one which commands attention. I can only say, gentlemen, that I think, if this system spreads of municipalities borrowing and municipalities acting as bankers, that there are three grave objections to such a course: It is unsafe to private lenders, it is equally unsafe to the municipalities, and by lessening the fund available for business in the country, and also competing with the State in regard to the Savings Bank, there will be an injury to private traders of every kind.

Mr. DOUGLAS OWEN.

Mr. Douglas Owen said: We all of us know how largely the welfare and how largely the prestige and success of a League, aiming mainly at the education of the public mind, must depend upon those who are at its head. It is of the first importance that a society, such as ours, should have at the head of the League men of high reputation for ability, for sound practical common sense, and for long and honourable service, and these we have. In the case of Lord Brassey, Lord Avebury, and the distinguished workers and thinkers who are associated with them on the Council of the League, quite apart from the excellence of the objects of the League, we have a collaboration which it seems to me ought to command success.

THE ABOLITION OF PRIVATE ENTERPRISE.

With regard to the objects of the League they, it seems to me, should appeal strongly to every fair-minded man, and certainly appeal very strongly to those who are engaged in industrial pursuits, and equally they should appeal strongly to ratepayers. What is aimed at, is the abolition not merely of private enterprise, but what seems to be incidentally worse, the abolition of competition. Competition is not merely the mainstay of business, it is its life-blood and its very essence. If competition were abolished, there should certainly be a very strong justification for it; but what is the justification of those who propose it? If we were told that they would be able to carry on the work of private enterprise with greater economy, that they will be able to put in operation a better system, that, no doubt, would be in a great measure a justification; but we know it is not so. The excellent figures that the Chairman has placed before us show plainly that there is no such justification.

One can readily imagine what the ironmonger member of the County Council would say if the chemist member of the same council proposed to manage his business for him; if the County Council solicitor were expected to take his law from the retired military gentleman; and yet extraordinary as it seems, these persons collectively, actuated, one does not doubt for a moment, by the highest motives, consider themselves qualified to undertake the work—undertake industrial enterprises of the most intricate nature, as electric lighting, electric trams, and what is called the housing of the poor. Darwin said that few people would believe the great natural capacity and the many years of hard work and experience that were required to make even a successful pigeon-fancier. If Darwin had lived till to-day, I think some of his old-fashioned ideas would have received a shock. He would have been brought face to face with a contradiction of the statement that there is no royal road to knowledge. We know, to-day, that a wave of the magic wand of the County Council is supposed to remove all difficulties,—like winter fogs at the approach of County Council steamers.

THE EDUCATION OF PUBLIC OPINION.

We must avoid the mistake—though I do not think we shall make it—we must avoid the mistake of expecting to do too much at once, or to do it too quickly. When we remember that it took something like twenty years to educate public opinion to agree to the abolition of the slave trade, we must not expect to succeed in what we are undertaking at once. But we have this great advantage over those of former days, that we have an enlightened Press, a Press which circulates all through the land; and such a statement as that which we have had from our chairman to-day will not have a merely local or limited

reading, as would have been the case a hundred years ago in connection with the slave trade, but it will be read broadcast all over the country,—and the influence of such a statement, carrying the weight it does, must needs be great. I think we can look forward with confidence to the time, not far removed, when we shall see public opinion so affected that it will no longer tolerate the dangers which we desire to see swept away.

RESOLUTION ON LOCAL INDEBTEDNESS.

Sir ALEXANDER HENDERSON, M.P.

"That this meeting, being of opinion that the constantly increasing indebtedness of local authorities and the great advance in the rates, are detrimental to the commerce and industries of the country, desires to urge upon His Majesty's Government the importance of local indebtedness being restricted, as far as possible, to the limitation of two years' assessable value, as laid down in the Public Health Act, 1875, and any increase sanctioned over such limitation should be reported to Parliament, with the reasons."

Sir ALEXANDER HENDERSON, Bart., M.P., in proposing the above resolution, said: Since I had the honour of presiding at the inaugural meeting of the Industrial Freedom League, I think a great deal has been done to educate the public generally as to the views which we were then anxious to place before the public. I think, the public generally are now keenly alive to the unwisdom of allowing the continued growth of municipal trading, and the question to my mind is whether we have educated our legislators to the same extent that we have educated the public. The Government appointed, as Lord Avebury has stated, a Joint Committee of both Houses to inquire into this very question. Their report has been issued long since, but practically nothing whatever has been done. Therefore, I think, the

time has arrived when it is our duty, as set out in this resolution, to urge upon His Majesty's Government the importance of doing something.

EXCESSIVE MUNICIPAL INDEBTEDNESS.

The importance is brought home to us when we consider what is laid down by the Public Health Act of 1875. I am sure that all present are aware that two years' borrowing of the assessable value, and two years' borrowing alone, is permitted, and the only way in which the municipalities can get further powers is by going direct to Parliament and making certain representations, and thereupon they frequently get their own wicked way. To what extent that way has been obtained a few facts will make clear. Take places like Huddersfield. This town has borrowed not two years, but seven years; Stockton has borrowed seven years also; Halifax, six; Blackburn five and three-quarters, and I have here a list of seventeen principal towns and in no case is the borrowing less than four and a quarter years. London is the one notable exception, but if London is going on borrowing at the rate she has been borrowing lately, she will not remain in that exceptionable position very long.

MUNICIPAL TRADING AND HIGH RATES.

We have one thing to note particularly in connection with this borrowing, and it is a very important fact to keep constantly before those who are interested in the good work this League are trying to do. We find that as the debt increases, that debt almost invariably increases with the view of prosecuting municipal trading, and the fact that where we find the borrowing greatly exceeds two years of the assessable value, so do we find the rates in the £ steadily advance. I have before me a list of seventy-eight principal towns. In eleven of them what is called the reproductive

debt, that is the debt borrowed for the purposes of electric lighting undertakings, tramways, markets, water, and so on, is less than 50 per cent. of the assessable value, and there we find the rates in the £ are the lowest—they are 5s. 2d. (exclusive of Poor Rate). As you find the percentage increases, so you find a steady increase in the amount of the rates. For instance, I have given you eleven towns where the borrowing is less than 50 per cent. of the assessable value. In sixteen cases the debt represents over 50 per cent., and less than 100, and immediately the rate goes up to 5s. 5d. in the £; in the case of twenty-five the debt is between 100 and 200, and the rate goes up to 5s. 8d.; and in the other twenty-six cases, the debt is over 200 per cent., and there we have the highest rate in the £, namely, 6s. Therefore, if we can only get a restriction in the trading of the municipalities we should almost certainly find that the rates would decrease correspondingly.

A CHECK ON MUNICIPAL BORROWING.

Some two years since I introduced into the House of Commons a short Bill called "The Trustees Act Amendment Bill," and I hope I shall have an opportunity of re-introducing that Bill. I have not been fortunate for the last two years in the ballot, but next year I may be more lucky, and if I draw a high number certainly it is my intention to bring that Bill forward again. All that it proposes is that there shall be two classes of municipal securities, one representing two years of the rateable value, called "A" class, and the other representing the borrowing over two years, called "B" class, and we ask that trustees shall only be permitted to invest in "A." If we can get such a Bill passed the result would be that we should provide for trustees and those who take the stock, a very excellent security, while the more risky part may be taken by the general public. At

any rate, we should to some extent check the present facilities that are given for municipal borrowing, and provide one of many means that we must take to bring the municipalities to their senses.

Mr. A. A. CAMPBELL-SWINTON.

Mr. A. A. Campbell-Swinton, M.Inst. C.E.: I have very much pleasure in seconding this resolution, and I will only give one instance of how municipal trading really works out. I am engaged in electrical business, and I have for many years past followed what the municipalities have been doing in the way of electrical supply. I have here a list of nearly all the electric supply undertakings in this country which are provided by municipalities, and I find that 68 out of 170 are actually making a loss. This is according to the last returns, and as will be observed more than one-third of the whole number are losing money. This is on their own showing, but if you provide a proper amount of depreciation in addition to the amount that they allow for sinking fund, I think every practical engineer will agree that in a much larger proportion of cases than one-third they are making a loss. I think, therefore, it is most desirable that this continued borrowing should be arrested. I will not detain the meeting further, and I beg to second the resolution.

The Chairman put the resolution to the meeting, and declared it to be carried unanimously.

VOTE OF THANKS TO LORD AVEBURY.

Sir CHARLES RIVERS-WILSON.

Sir Charles Rivers-Wilson, G.C.M.G., C.B.: The resolution I have the honour to propose is one which I am sure you will vote very cordially. It is "That a hearty vote

of thanks be accorded to Lord Avebury for his address, and for the great interest which he has taken in the work of the League, and the valuable assistance which he has rendered to it as President since its formation."

THE RETIRING PRESIDENT.

Gentlemen, of the many public services which Lord Avebury has rendered during the course of his long and useful and busy career, I am quite sure that you will agree with me that there is nothing more commends itself to the approval of the public generally than the position which he has allowed himself to be placed in of presiding over this League, and thereby putting himself in the forefront of the important movement now on foot for restricting this pernicious doctrine in vogue among municipalities, and asserting the right of individual enterprise and initiative. In view of the apathy of the Government and of the indifference, or possibly the timidity, of the House of Commons, it is quite clear that the principles which we stand here as advocates of will not be enforced as they ought to be, without the collective energy of the citizens of this country. It is quite clear that neither the House of Commons nor the Government at the present time will take the initiative, and we know also that there is a great solidarity of interests against us. In view of such a combination—a most powerful combination—the only thing to do is to oppose to it another combination. That combination should be composed of all sensible persons, like ourselves, who recognise the evils that we have to face, and which, to my mind, are so absolutely apparent that they will not stand argument.

THE WORK OF THE LEAGUE.

The admirable speech of our President, supplemented by the remarks of my friends, Mr. Lawrence and Mr.

Buxton and Sir Alexander Henderson, entirely cover the ground, and I think if you can only get an absolutely independent tribunal, the other side would be laughed out of court, and yet, notwithstanding the excellence of the doctrine which we advocate, we can hardly get a hearing, at all events, we cannot get a hearing from Parliament, and, therefore, I say it is more than ever incumbent upon the League to put itself forward and continue the efforts which it has made up to the present time. These efforts have not been without result, and I think you will all acknowledge, that if the League has been successful so far and has sown the seeds of a future harvest it is in a very great measure due to Lord Avebury, who has made the League a real and substantial influence. We owe him our very best thanks, and I can only hope that when he has retired from the active duties of his presidency, he will continue to take an interest in the League and render his valuable assistance in all public meetings, and especially in the House of Lords.

Mr. B. L. COHEN, M.P.

Mr. B. L. COHEN, M.P.: I am very pleased to be charged with the agreeable duty of seconding this resolution, and I do not think it will want to be more than mentioned in order to be unanimously accepted by everyone in this room. May I say I have in a very humble way tried my best to wake up this, I will not call it timid, but apathetic Government, to the duty not so much of doing away with the grievances of which we complain, but of doing that which we are entitled to expect of re-appointing the Committee to which they consented, and whose report and recommendations we do not wish to have postponed, because we are not in the least doubtful or frightened of their proposals.

THE INJUSTICE OF MUNICIPAL EXTRAVAGANCE.

In the comprehensive address which Lord Avebury has favoured us with, perhaps I may be allowed to say I thought there was one argument which he did not quite sufficiently advance, and that is that there is not only the inadvisability of this extravagant expenditure of money, but there is its injustice. Those people are obliged to pay who do not get their so-called enjoyment, at any rate, the use of the services which are provided for them. I am not going to trouble you with many figures, but I hold in my hand a return from that model municipality represented by Mr. Burns, the municipality of Battersea. There is a population there of 175,000, and out of that number 541 only use the electric light. It was put up at an expenditure of £191,497, and this expenditure was indulged in for the benefit of 541 people, so that a population of 174,500 has had to provide these benefits for 541 people; therefore, nearly all the population of Battersea will get no enjoyment whatever for that expenditure for which they have to pay. Similar figures also apply to Fulham. There is a population there of 150,000, and there are only 1,132 consumers. There was a capital expenditure of £217,811 on the electrical installation of Fulham, for which 150,000 people had to pay, and this for the benefit only of 1,132.

THE FAILURE OF RE-HOUSING SCHEMES.

Lord Avebury pointed out the fact, which is almost an absurdity, the attempt which has been made to re-house the poor. But is it re-housing the poor, at any rate, I will not call them rich, but what this attempt has resulted in is the re-housing of a class just above the poor, and I think it is a strong case that the poor have to be eliminated and vacate their tenements for the benefit of a wealthier class.

They all help to pay for it, but they do not get any enjoyment for the services for which they have to pay. I am quite certain that Lord Avebury's statement will call attention to this outrageous injustice upon the population, and therefore, while thanking Lord Avebury personally for the service he has rendered not only to this Institution, but to the ratepayers throughout the United Kingdom, in the way that he hammers at the injustice which we all have to undergo, with the greatest possible earnestness I ask also this meeting to unanimously accord their grateful vote of thanks to him for his services to-day, and I suppose as I have had the privilege of seconding this vote I may also have the privilege of putting it to the meeting. I will ask those in favour to signify the same in the usual way.

The resolution having been put to the meeting, Mr. COHEN informed Lord Avebury that it had been unanimously adopted, and the CHAIRMAN having expressed his thanks, the proceedings terminated.

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